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CHILTON'S

DISTRIBUTION

THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE AUGUST 1987

QUEST FOR QUALITY

EXCELLENCE IN
ORTATION AND
GISTICS
AGEMENT

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CHILTON'S
VOL. 86, NO. 7 **DISTRIBUTION** AUGUST 1987

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MAKING THE CARRIER SELECTION GAME EASIER

What can carriers do to make shippers' carrier selection process easier? What information do they need? That's what we asked in May, and the volume of responses was overwhelming. Here's what our readers have to say:

"I would like to see carriers adopt a standardized format for presenting their rates and service capabilities. One company soliciting my business sent me a 2-page brochure detailing what I needed to know. Another company sent me a 4-lb. book."—**Jesse Charland, shipping director, Goodheart Clothing, Jersey City, N.J.**

"Carriers would help us by establishing initial/trial use rates to allow prospective customers to evaluate service levels without significant cost impact due to lost quantity discounts."—**A. Clay, materials mgr., Parker-Biomedical, Irvine, Calif.**

"Carriers would help us make our selections by explaining their services and pricing and then gently backing off."—**Beni Turan, traffic mgr., Intermec Corp., Lynnwood, Wash.**

continued

By which method do you select carriers?

decision of one person	51%
lowest rate bidding system	15%
formal point system	12%
Unstructured qualitative system	10%

Weigh the following factors from 1 (most important) to 5 (least important):

service	1.20
pricing	1.93
convenience	3.06
sales effectiveness	3.48

Carrier selection by committee is a:

marginal idea	52%
bad idea	25%
good idea	17%

QUESTION OF THE MONTH

3RD PARTY LOGISTICS: WAVE OF THE FUTURE?

American business is becoming more competitive, more efficient. For many companies, this has meant doing more with less—downsizing operations.

Often it is the distribution department that feels the effects first. In many cases, head counts are reduced—sometimes drastically. Budgets are slashed. Resources are thin.

More and more companies today are responding by looking outside for transportation services and logistics management. Some have even spun off the logistics function of the company into a separate unit. Caterpillar Logistics and Kaiser Logistics Services are two good examples.

Is 3rd party distribution the wave of the future? Will this be the mainstream method for handling logistics in the 1990s and beyond?

Because it affects so many of you directly, this could be *the* issue in logistics for the next few years. We want to know how you perceive the trend toward 3rd party logistics services. Let us know your views by filling in the answers on the Dialogue card below.

DIALOGUE August 1987

• We use these 3rd party logistics services regularly (check all that apply):
_____contract carriage (instead of private fleet); _____freight bill auditing/payment; _____consultants; _____contract warehousing; _____public warehousing; _____parts distributor; _____full service distributor; _____total 3rd party logistics service; _____export management or trading company

• Our use of 3rd party transportation and logistics services is _____greater than/_____less than it was five years ago.

• Do you find that 3rd party operations generally can provide services more cost effectively than your staff?
_____Yes _____No.

• Do you see your company moving toward replacing any part of the transportation/distribution department with a 3rd party transportation and logistics vendor? _____Yes _____No.

• If so, what departments are most likely to be replaced (check all that apply):
_____traffic; _____private fleet; _____private warehouse
_____other (describe) _____

In the long-term competitiveness of my company, here's how I see us using 3rd party logistics services and why:

_____

_____

_____

_____

_____

_____

_____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of DISTRIBUTION editors:)

"Already, as a result of domestic deregulation, new marketing strategies and development of new technologies, the traditional distinctions between ocean, rail and over-the-road carriers have blurred. This is a time of change and transition. And while it has caused some confusion—both within the customer community and the industry—I feel this blurring of distinctions points the way for the next phase.

"We are now moving beyond the business of *transportation* into the business of *distribution*...The basic difference between intermodalism and the new phase we are entering is that intermodal transportation focuses on simply hauling the container from point-to-point, while distribution involves understanding, managing, and even controlling, the overall economics of the total move, including all the related domestic and foreign segments in the distribution or product manipulation processes."—**Bruce Seaton, chairman, American President Companies, upon receiving the Containerization & Intermodal Institute's 16th annual Connie Award.**

CARRIER SELECTION **continued from p. 7**

"Carriers would help us by presenting themselves based on service, convenience, and price. The choice of a carrier should not be arbitrarily based on entertainment abilities."—**T. Ksionzyk, warehouse mgr., Hitachi Power Tools, Norcross, Ga.**

"Carriers would help us by having a real desire to haul our freight, a one-to-one contact concerning service and delivery time—showing an 'I care' attitude."—**Jerry Richmond, traffic mgr., Skyline Skylites, Colorado Springs, Colo.**

"Carriers would help us by coming to the meeting prepared to defend their rates with financial data that is realistic. I personally try to ensure that a carrier makes a profit on our moves."—**David Weintraub, mgr., transportation, General Cinema Beverages, Atlanta.**

"Carriers would help us by setting up a 'flat' computer file on floppy disk composed of the carrier's points served and transit times to be compared with a customer's facilities, destinations shipped to, and origins received from . This will help establish the best coverage and will reduce the number of carriers needed at each facility."—**Andrew Gillespie, transportation analyst, American Standard Co., Piscataway, N.J.**

"Carriers must maintain the correct blend of dependable service, rates priced according to the mix of freight available, and knowledgeable and personable sales and operations personnel. The biggest help would be letting shippers know truthfully exactly where the best lanes are and zero in on service. We're always going to come back to needing that most."—**Lynne J. Brown, traffic mgr., Bradley Corp., Menomonee Falls, Wis.**

"Carriers would help us make our selections by simply stating what they can do for me, and by not telling me what kind of discount they'll provide, or asking me what kind of discount I'm getting. I'd rather see the base rates in the applicable tariff than hear about a certain discount level."—**M. DiFronzo, traffic supervisor, Taylor Publishing Co., Paoli, Pa.**

"Carriers would help us by more clearly identifying their strengths—direct service points, strong lanes, backhaul lanes where more competitive pricing may be offered. Much more can be done by the carrier to help the shipper determine whether the carrier fits its distribution strategy."—**Dennis Glavan, mgr. corporate transportation, Becton-Dickinson and Co., Franklin Lakes, N.J.**

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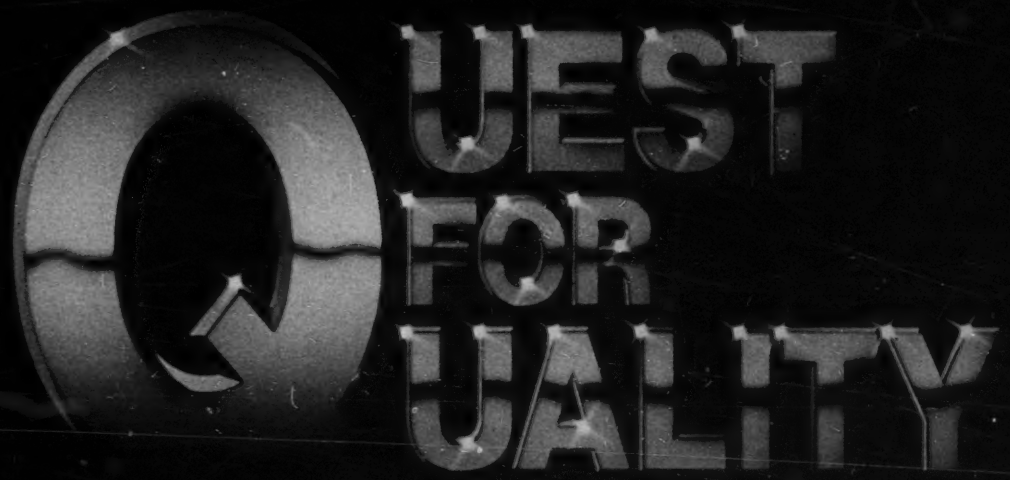

DISTRIBUTION's 1987 QUALITY CARRIERS

REGIONAL MOTOR CARRIERS
- Arkansas Freightways
- Averitt Express
- Con-Way Central Express
- Fore Way Express
- Holmes Transportation
- NW Transport Service
- Preston Trucking
- Red Star Express
- Southeastern Freight Lines
- Stoops Express
- TNT Bestway
- TNT Holland Motor Express
- TNT Overland Express

NATIONAL/INTER-REGIONAL MOTOR CARRIERS
- Consolidated Freightways
- Roadway Express, Inc.
- Yellow Freight System

TRUCKLOAD CARRIERS
- Builders Transport
- Inway

VAN LINE SERVICE
- Allied Van Lines
- United Van Lines

AIR EXPRESS CARRIERS
- Burlington Air Express

AIRLINES
- British Caledonian
- KLM Royal Dutch Airlines
- SAS Scandinavian Airlines
- Thai Airways

AIR FORWARDERS
- Lynden Air Freight
- Pilot Air Freight

RAIL CARRIERS
- Burlington Northern Railroad
- Denver & Rio Grande Western
- Grand Trunk Western Railroad
- Missouri-Kansas-Texas Railroad
- Union Pacific Railroad

SHIPPERS' AGENTS
- National Piggyback

RAILCAR BUILDERS/ LESSORS
- ACF
- GATX

OCEAN CARRIERS
- Canada Maritime
- Columbus Line
- Hapag-Lloyd
- Manchester Liners
- OOCL
- Trans Freight Lines
- Westwood Shipping

Value—that's really what a shipper is looking for in carrier performance," says Earl W. Beck, director-transportation for the Eaton Corporation in Cleveland. "Service and price are the two main elements we consider, and fortunately, the carriers we use tend to be very competitive in these areas. Where carriers are really differentiating themselves these days is in quality of communication with the shipper. Only a few carrier salesmen consistently keep us informed of the status of our shipments. Only a few carrier salesmen make enough meaningful calls on their major customers. If there is one area that needs improvement, it is certainly sales effectiveness and communications."

Earl Beck was one of more than 1,300 shippers who participated in DISTRIBUTION's 1987 *Quest For Quality* survey. His comments neatly sum up the most important conclusion to be reached from the thousands of carrier ratings made by shippers in our survey: Carrier service and prices are good, but communication needs improvement.

The 1987 *Quest For Quality* program is DISTRIBUTION's fourth annual survey and report of how shippers rate the individual carriers and vendors of transportation services they use according to four key measurements of transportation quality: Service, Convenience, Price and Sales Effectiveness.

The purpose of this survey has always been to teach by example. *Quest For Quality* singles out those transportation companies that have:

- Identified shippers' needs and developed truly innovative services to meet those needs;
- Performed these services dependably and consistently with attention to essential follow-up;
- Trimmed operating costs to be able to offer the services at reasonable, affordable prices;
- Made doing business with the transportation vendor easy and convenient;
- Sold their services after learning about the shipper's business; and,
- Kept customers informed about the transportation companies' capabilities.

DISTRIBUTION's *Quest For Quality* survey draws on the experience of the nation's shippers who have rated the carriers they use regularly by responding to a series of special ballots. The scores on the following pages are based on shipper ratings ranging from 0 (unacceptable) to 5 (outstanding). A full explanation of the methodology used in the survey appears on page 29.

As our survey points out, perfect performance is a goal that no carrier will ever meet. What is important and gratifying is that the transportation industry is committed to an ongoing pursuit of continual quality improvement.

NATIONAL/INTER-REGIONAL CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.33**	**3.37**	**3.29**	**3.10**
ABF	**3.35**	**3.42**	3.25	3.09
ANR	3.04	3.07	3.19	2.88
ARA Smith's	3.04	3.09	3.04	2.80
American Frt. Sys.	3.19	3.30	3.25	3.03
Bowman	2.75	2.86	3.11	2.61
Brown Transport	3.22	3.07	**3.29**	2.88
Carolina Frt. Carriers	**3.47**	**3.41**	3.19	3.08
Consolidated Frtways	**3.33**	**3.50**	**3.37**	**3.24**
FFE Transport Services	2.86	2.81	2.52	2.20
Overnite Trans.	**3.51**	**3.44**	**3.37**	3.01
P.I.E. Nationwide	3.10	3.16	3.23	2.95
Roadway	**3.58**	**3.61**	**3.41**	**3.32**
TNT Pilot Freight	3.27	3.25	**3.38**	**3.10**
Thurston Motor Lines	2.98	3.09	**3.35**	2.75
Transcon	3.16	3.11	3.06	3.09
Watkins Motor Lines	**3.69**	3.27	**3.35**	**3.25**
Yellow Freight	**3.65**	**3.72**	**3.42**	**3.45**

SPECIALIZED CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.75**	**3.49**	**3.04**	**2.93**
Leaseway Transportation	3.16	3.13	2.69	2.35
Roberts Express	**4.45**	**4.14**	2.76	2.96
Spartan Express	3.51	3.21	**3.36**	**3.10**

VAN LINE SERVICE CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.50**	**3.40**	**3.21**	**3.22**
Allied Van Lines	**3.51**	**3.59**	**3.24**	**3.31**
Atlas Van Lines	3.33	**3.50**	3.19	**3.35**
Bekins Van Lines	3.16	3.06	2.97	2.97
Mayflower	3.22	2.93	3.00	3.00
North American Van Lines	**3.53**	3.36	3.20	3.09
United Van Lines	**3.84**	**3.66**	**3.37**	**3.63**

TRUCKLOAD CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.55**	**3.25**	**3.41**	**2.81**
Builders Transport	**4.10**	**3.83**	**3.63**	**3.07**
CRST	3.39	2.95	**3.50**	2.80
Gemini	3.11	2.96	3.11	2.77
Inway	**3.58**	**3.63**	**3.46**	**3.29**
J.B. Hunt	**3.86**	**3.54**	**3.77**	2.88
Poole Truck Lines	3.53	2.87	3.07	2.27
Ranger Transportation	**3.61**	**3.43**	3.20	2.86
Ryder Freight System	3.02	2.68	2.83	2.33
Scheduled Truckways	3.33	**3.43**	**3.86**	**3.55**

MOTOR CARRIERS

For the nation's largest LTL motor carriers, discounts have kept rates low while shippers continue to demand premium service and continuing innovations such as EDI and diskette rating systems. Judging from the higher average scores for 1987 compared to those for 1986, the big LTL carriers have met the shipper's demands very well.

Yellow, **Roadway** and **CF** earned the highest overall scores, suggesting that the "Big Three" have created the standard for the LTL marketplace.

"I'd be hard-pressed to say which is better overall," says Bruce Slater, distribution manager for Burdick Corp. "Roadway has better pricing in many areas. CF's EDI program is truly excellent. They all have good service."

High quality trucking service is not limited to three carriers. Six carriers scored better than a neutral 3.00 in all four categories.

Shippers with special needs for customized service such as just-in-time production have given rise to so-called specialized carriers, who try to provide extra-high level service. The average service scores for this group are impressive. Shippers generally perceive prices to be too high.

Van Lines are another group of specialized carriers satisfying the shipping public. As a group the van lines produced the best overall scores for all the motor carriers. **Allied Van Lines** and **United Van Lines** lead the group, but practically all scores for all van lines were above the neutral benchmark of 3.00.

Truckload carriers generally produced some of the highest service and price scores for all motor carriers. Sales effectiveness scores, however, were the lowest of the motor carriers. Only **Builders Transport** and **Inway** earned above-average scores in all categories.

BULK CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.35**	**3.18**	**2.61**	**2.71**
Chemical Leaman	3.20	3.14	2.60	2.68
DSI Tank Lines	**3.62**	**3.42**	2.69	**3.50**
Matlack	3.33	3.13	2.48	2.42

REGIONAL CARRIERS				
	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.49**	**3.29**	**3.14**	**2.99**
AAA Cooper	**3.73**	**3.43**	3.11	2.97
AAA Trucking	2.96	2.90	2.88	2.19
A&H Truck Line	3.39	3.04	3.11	2.57
APA Transport	3.29	3.00	2.54	2.68
Arkansas Freightways	**4.00**	**3.78**	**3.63**	**3.47**
Armellini Express Lines	**4.38**	**3.77**	**3.62**	2.00
Averitt Express	**4.18**	**3.82**	**3.42**	**3.51**
CW Transport	3.44	**3.29**	**3.22**	**3.13**
Central Freight Lines	3.33	3.04	2.86	2.59
Central Transport	3.01	2.87	**3.14**	2.64
Churchill Truck Lines	3.28	3.02	2.81	2.94
Con-Way Central Express	**3.99**	**3.69**	**3.14**	**3.36**
Con-Way Eastern Express	3.27	3.19	**3.42**	**3.14**
Con-Way Western Express	**3.56**	3.27	2.96	2.87
Duff Truck Line	3.19	3.16	3.05	2.78
Estes Express	3.32	3.06	2.74	2.53
Fore Way Express	**3.74**	**3.49**	**3.52**	**3.13**
Frederick Transport	**3.63**	**3.33**	**3.65**	2.57
GI Trucking	2.70	2.98	2.91	2.38
Holmes Transportation	**3.55**	**3.40**	**3.41**	**3.13**
Jones Truck Lines	**3.52**	3.26	**3.34**	2.98
Milne Truck Lines	3.34	**3.33**	3.13	2.86
Mistletoe Express	2.72	2.79	2.74	2.20
New Penn Motor Express	**3.75**	**3.38**	2.86	2.99
NW Transport Service	**4.64**	**4.07**	**3.79**	**4.71**
Old Dominion Freight	3.23	2.97	**3.30**	2.99
Preston Trucking	**3.49**	**3.44**	**3.20**	**3.16**
Red Star Express*	**4.29**	**3.93**	**3.43**	**3.71**
St. Johnsbury	3.35	3.28	3.04	2.92
Sanborn's Motor Express	**3.54**	3.27	3.08	**3.06**
Southeastern Frt. Lines	**4.21**	**3.79**	**3.55**	**3.57**
Standard Trucking	3.02	3.00	2.96	2.87
Stoops Express	**3.74**	**3.29**	**3.55**	**3.26**
TNT Bestway	**3.57**	**3.29**	**3.19**	**3.19**
TNT Holland	**4.05**	**3.72**	**3.39**	**3.62**
TNT Overland Express	**3.76**	**3.52**	**3.28**	**3.36**
Transus	2.89	2.84	2.98	2.53
Viking Freight	**3.55**	3.28	2.82	2.65

Red Star Express is now TNT Red Star Express.

MOTOR CARRIERS

The most specialized transportation companies rated were the bulk carriers, and consequently, only a few received enough votes to report. The major carriers with enough votes to report all produced very respectable service and convenience scores. Ratings, however, dropped off for price and sales effectiveness.

"I realize tank truck service is expensive to offer," says a chemical shipper in Delaware, "but there is no way we can be competitive in new markets with present rate levels. Also, the carrier salesmen do not seem to have the authority to adjust price. It's difficult to deal with bulk carriers under these circumstances."

The regional LTL carrier average scores were slightly below those for the big LTL carriers in all categories except service. Thus shippers expect, and receive, comparable if not better service from their regional carriers than from the national carriers.

"Transit times and reliability are what matter with the regional carriers we use," says Paul Hill, traffic manager for Niagra Envelope Company of Buffalo. "We depend on these carriers for fast deliveries, often overnight. There is not much room for error."

The area where the regional carriers as a group produced the poorest scores was in sales effectiveness. "We expect carrier sales reps to follow up in writing on key questions and be able to explain the various sales reports to our people. Very few regional sales reps do this on a consistent basis," says a New York shipper.

Regional carriers receiving the highest scores were **Arkansas Freightways, Averitt, Con-Way Central, Fore Way, Holmes, Northwest, Preston, Red Star, Southeastern, Stoops, TNT Bestway, TNT Holland,** and **TNT Overland.**

CARRIERS	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.33***	***3.17***	***3.14***	***2.90***
Boston & Maine	*1.64*	*2.05*	*2.23*	*1.95*
Burlington Northern	***3.49***	***3.57***	***3.53***	***3.12***
CSX	*3.13*	***3.26***	*3.07*	*2.85*
Canadian National	*3.29*	***3.24***	*2.97*	*2.75*
Canadian Pacific	***3.38***	*3.07*	*2.89*	***3.04***
Chicago & Northwestern	***3.37***	*3.15*	*3.23*	*2.92*
Conrail	*3.29*	*2.96*	***3.16***	*2.64*
Delaware & Hudson	*2.00*	*2.18*	*2.13*	*2.13*
Denver & Rio Grande	***3.79***	***3.37***	***3.52***	***3.25***
Florida East Coast	***4.00***	*3.11*	***3.67***	***3.16***
Grand Trunk Western	***3.48***	***3.18***	***3.14***	***3.01***
Illinois Central Gulf	*2.93*	*2.90*	*2.90*	*2.68*
Kansas City Southern	***3.42***	*3.09*	*3.09*	***3.41***
Missouri-Kansas-Texas	***3.55***	***3.34***	***3.59***	***3.39***
Norfolk Southern	***3.63***	***3.48***	*3.13*	***3.37***
RF&P Railroad	***3.43***	***3.29***	*3.00*	*2.2[illegible]*
St. Louis SW Railway	***3.41***	***3.19***	***3.15***	*2.89*
Santa Fe	***3.63***	***3.34***	***3.24***	*2.84*
Soo Line/Milwaukee Road	*3.17*	*3.07*	***3.27***	*2.93*
Southern Pacific	*3.05*	*3.14*	*2.96*	*2.52*
Union Pacific Railroad	***3.61***	***3.37***	***3.14***	***3.32***

RAIL FORWARDERS, AGENTS & CONSOLIDATORS	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.56***	***3.40***	***3.35***	***3.02***
Alliance Shippers	*3.16*	*2.89*	*3.22*	*2.78*
Clipper Exxpress	*3.18*	*3.18*	*2.82*	*2.36*
Greater South Traffic	*3.33*	***3.40***	*3.29*	***3.08***
The Hub Group	*3.38*	*3.27*	*3.32*	***3.24***
ITOFCA	*3.50*	*3.27*	*3.13*	*2.93*
National Piggyback	***3.88***	***3.48***	***3.63***	***3.45***
Trailer-Train	***3.70***	***3.60***	***3.40***	*3.00*

RAILCAR BUILDERS & LESSORS	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.77***	***3.73***	***3.41***	***3.51***
ACF	***4.23***	***4.00***	***3.50***	***3.57***
GATX	***4.15***	***4.15***	***3.48***	***3.90***
GE Railcar	*3.44*	*3.31*	*3.12*	*3.12*
Pullman Leasing	*3.29*	*3.64*	***3.50***	*3.43*
Union Tank	*3.69*	*3.56*	*3.18*	*3.47*

RAIL SERVICES

The rail carriers showed the broadest range of results of any of the modal groups. The railroads with the highest scores have clearly focused on the needs of shippers.

"The railroads that rate highly with us really try to find out what we need before they ask for new business," says Andy Moriarty, manager of tranportation for Wickes Lumber of Mundelein, Ohio. "One railroad set up a winter plywood program offering us reduced rates in the fall and winter. That has helped us meet inventory and cost goals."

Railroads receiving the best overall scores were **Burlington Northern, Denver & Rio Grande Western, Grand Trunk, Missouri-Kansas-Texas,** and the **Union Pacific.**

According to shippers DISTRIBUTION interviewed, the majority of problems are simple service failures and lack of follow up to resolve problems. Increasingly, shippers are finding it harder to communicate with the railroads who use central telephone numbers for customer service.

"Half the time you end up getting a recorded message," says Martin C. Bytell of Martin Brower in Chicago. "That's not very helpful for shippers who need information immediately."

The middlemen in the rail and intermodal business are important to shippers looking for more personal service. The excellent average scores in this group of forwarders, agents and consolidators show that shippers are getting what they want. **National Piggyback** received the high scores.

Shippers using railcar lessors are receiving exceedingly high quality service according to our survey. All lessors reported here produced scores in the favorable range (over 3.00) in all categories. **ACF** and **GATX** received the highest scores overall.

STEAMSHIP LINES	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.56**	**3.37**	**3.19**	**3.10**
American Pres. Lines	**4.13**	**3.84**	2.65	**3.29**
Atlantic Container Line	**4.14**	**3.83**	2.90	**3.88**
Atlanticargo	3.42	**3.45**	**3.33**	2.92
Barber Blue Sea	**3.68**	**3.56**	**3.21**	2.68
Canada Maritime	**3.89**	**3.68**	**3.95**	**3.68**
Cast North America	3.41	**3.38**	**3.63**	**3.26**
CGM	3.55	3.10	**3.36**	**3.27**
Chilean Line	3.50	3.07	2.79	2.43
Columbus Line	**3.61**	**3.50**	**3.21**	**3.32**
Dart Containerline	**3.57**	3.33	3.00	2.89
EAC Lines	**3.67**	3.33	**3.93**	**3.33**
Evergreen	**3.61**	3.23	**3.78**	2.29
Farrell Lines	3.00	2.91	**3.22**	3.13
Hanjin Container Lines	3.30	3.16	**3.39**	2.32
Hapag Lloyd	**4.03**	**3.67**	**3.26**	**3.64**
Hoegh	**3.80**	**3.50**	**3.80**	2.67
Hong Kong Islands Line	2.41	2.88	**3.88**	2.56
Italian Line	3.20	3.20	**3.30**	**2.20**
Ivaran Line	3.47	**3.43**	2.73	**3.29**
Japan Line	3.06	3.06	2.94	2.69
K Line	**3.78**	**3.71**	3.06	**3.35**
Korea Shipping	2.64	2.36	2.85	2.50
Lykes Bros.	**4.00**	**3.67**	3.05	**3.57**
Maersk Lines	**4.29**	**3.81**	3.11	**3.43**
Manchester Liners	**4.08**	**3.85**	**3.38**	**3.50**
Matson Navigation	**4.08**	**3.75**	3.00	**3.33**
Mitsui O.S.K.	**4.10**	**3.70**	**3.26**	2.95
NYK Line	3.53	3.29	**3.33**	2.87
Nat'l Shipping Co., S.A.	3.23	2.92	3.00	2.92
Navieras de Puerto Rico	2.92	3.08	2.75	2.83
Nedlloyd Lines	3.46	3.22	3.13	**3.43**
Neptune Orient Lines	3.37	3.11	2.94	2.61
OOCL	**3.58**	**3.58**	**3.19**	**3.64**
Polish Ocean Lines	3.21	2.93	**3.57**	2.43
Sea-Land Service	**3.60**	**3.58**	2.86	**3.18**
Trailer Marine Trans.	**3.71**	**3.71**	2.93	**3.21**
Trans Freight Lines	**3.68**	**3.54**	**3.28**	**3.38**
United States Lines	2.45	2.36	2.63	2.48
Westwood Shipping	**3.73**	**3.53**	**4.14**	**3.80**
Y.S. Line	**3.83**	3.09	**3.40**	**3.64**
Zim Container Service	3.17	3.00	**3.35**	2.55

INLAND BARGE LINES	SERVICE	CONV.	PRICE	SALES
AVERAGE	**3.66**	**3.34**	**3.28**	**3.27**
American Commercial Barge	**4.09**	3.00	2.82	**4.27**

WATER CARRIERS

Ocean carriers as a group received among the highest average scores in each performance category. Shippers have high expectations, and these expectations apparently are being fulfilled.

"We were one of the first U.S. companies to adopt just-in-time manufacturing, and our entire production line is dependent on reliable arrival times," says Robert Ziegler, traffic supervisor for Harley Davidson Motor Co. in York, Pa. "We have learned to be much more aware of time and service. Generally, we are very pleased with the ability of our carriers to meet our service requirements. We like to use carriers that offer landbridge services even though it costs about $350 per box more. One of our key selection elements is 'recovery ability'—that is, to maintain transit times even if problems arise."

Seven ocean carriers received marks abcve average for the industry in all four categories: **Canada Maritime, Columbus Line, Hapag Lloyd, Manchester Liners, OOCL, TFL** and **Westwood Shipping.**

While ocean carriers as a group received respectable sales effectiveness scores, shippers singled out this area for a multitude of negative comments.

"The biggest difference between carriers is the quality of sales people," says Renate Ibe, traffic manager for Millmaster Onyx Group in Fairfield , N.J. "A few are very knowledgeable about my business and my needs, but the majority waste my time. These sales reps actually lose business for their companies. These steamship lines had better wise up."

The inland barge group did not generate widespead response in our survey, but based on the response received, shippers are highly satisfied with the carriers in this group.

AIR & EXPRESS SERVICES

The 1987 results for the combination passenger/cargo airlines were very similar to the lackluster 1986 results. Generally, shippers continue to be dissatisfied with all aspects of cargo performance for the scheduled airlines, and are especially unhappy with the carriers' sales effectiveness. The average of 2.21 was the second lowest average for any mode of transportation. The problem seems to be that air carriers have left the sales function entirely to the forwarders and have lost contact with the customer.

"In many cases I would prefer to deal directly with the air carrier, but they don't make it easy," says an oil equipment traffic executive. "I can't remember the last time I was called on by an airline air freight salesman."

The foreign flag airlines, which have always put more emphasis on the cargo business, scored significantly better than their U.S. counterparts. "Every good air freight rep I know ends up with a foreign carrier or foreign freight forwarder. That tells me something," one shipper observes.

The U.S. carriers suffering financial difficulty in the past year produced the lowest scores.

Airlines receiving the highest overall scores were **British Caledonian, KLM, SAS and Thai Airways.**

All-cargo airlines produced slightly better results than the combination air carriers, although the sales effectiveness scores again were below average. The carriers in this group that also carry "envelope" freight received higher scores than the heavy freight-only carriers.

Until recently, the surface express market had been dominated by **United Parcel Service.** Newer competitors in this group are beginning to receive shipper recognition and appreciation.

PASSENGER/CARGO AIRLINES

	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.39***	***3.22***	***3.12***	***2.21***
Aer Lingus	***3.67***	*3.00*	*3.00*	***3.11***
Air Canada	***3.48***	*3.04*	*2.96*	*1.80*
Air France	*3.20*	*3.10*	*3.11*	*2.41*
Alaska Airlines	*3.00*	*2.77*	*2.85*	*1.82*
Alitalia	*3.25*	*3.00*	*3.00*	***3.00***
American Airlines	***3.36***	*3.21*	***3.12***	*2.37*
British Airways	***3.43***	***3.24***	***3.14***	*2.65*
British Caledonian	***4.00***	***3.69***	***3.38***	***3.27***
China Airlines	*3.14*	*2.86*	***3.29***	*1.40*
Continental Airlines	*2.83*	*2.75*	***3.33***	*2.00*
Delta Airlines	***3.68***	***3.48***	***3.14***	*2.07*
Eastern Airlines	*2.95*	*2.98*	*2.98*	*1.72*
Japan Airlines	***4.00***	***3.33***	***3.22***	*2.75*
KLM	***4.00***	***3.63***	***3.50***	***3.13***
Lufthansa	***4.14***	***3.83***	***3.50***	*2.87*
Northwest	***3.35***	*3.18*	***3.30***	*1.70*
Pan American	*2.79*	*2.89*	*3.05*	*1.89*
Piedmont	***3.75***	***3.57***	***3.17***	*2.05*
SAS Scandinavian Airlines	***3.83***	***3.17***	***3.67***	***3.20***
Southwest Airlines	*3.14*	*2.57*	*2.86*	*2.00*
Swissair Transport	***3.57***	*3.14*	*2.86*	***3.00***
TWA	***3.60***	***3.24***	*2.96*	*2.19*
Thai Airways	***4.50***	***4.50***	***4.00***	***3.00***
USAir	***3.65***	***3.45***	***3.30***	*1.56*
United Airlines	*3.22*	*3.20*	*3.00*	*2.18*

ALL CARGO AIRLINES/FORWARDERS

	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.64***	***3.56***	***3.17***	***2.48***
Airborne Express	*3.28*	*3.20*	*3.13*	*2.08*
Burlington Air Express	*3.52*	*3.49*	***3.52***	*2.91*
CF Air Freight	*3.11*	*3.24*	*3.04*	*2.96*
DHL	***3.70***	*3.32*	*2.99*	*2.52*
Emery Worldwide	*3.32*	*3.41*	*2.78*	*2.38*
Federal Express	***4.39***	***4.17***	*2.95*	*2.67*
Flying Tigers	*3.12*	*2.92*	*2.73*	*2.52*
Nippon Cargo Airlines	*3.38*	*3.00*	***3.23***	***3.08***
United Parcel Service	***3.79***	***3.80***	***3.76***	*1.98*

AIR & EXPRESS SERVICES

Shippers use air forwarders to get better service, more personal attention, greater convenience and lower consolidation rates. Based on the survey scores, however, this group has no better image than the underlying air carriers. Average scores for sales effectiveness were only slightly better than those for the air carriers, and pricing scores were lower. Unlike the air carrier group, the forwarders specializing in international shipments do not necessarily have higher scores than forwarders with a heavy concentration of domestic as well as international traffic. The high-scoring forwarders in this group, **Lynden Air Freight** and **Pilot Air Freight**, attest to this trend.

Sales scores for the group are surprisingly low.

"A lot of forwarder reps just take me to lunch," says Mark Zimmerman, director-international sales, Windsor Industries, Englewood, Colo. "Then they wonder why they don't get the business. It's because I'll only deal with a company that allows real control at the local level."

The air express companies providing services for envelope and small package freight find themselves in one of the most competitive business sectors in our industry. Here, the difference between good and bad service is measured in minutes rather than hours or days. Accordingly, the average service and convenience scores were very high. The average price scores indicate shippers perceive value, but the sales scores are low.

"I'm not sure these sales reps know who to call on at our company—the individual departments, the secretaries or the traffic department, but I rarely see them," says the TM for a film company.

The air express company receiving the highest overall scores was **Burlington Air Express.**

CONVENTIONAL FORWARDERS

	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.33***	***3.17***	***3.11***	***2.79***
Air Express Int'l	***3.38***	*3.11*	*3.09*	*2.60*
Amerford Int'l	***3.42***	***3.26***	*2.79*	*2.61*
Associated Air Freight	*2.74*	*2.67*	*2.33*	*2.18*
Circle Air Freight	*3.24*	*3.07*	***3.20***	*2.71*
Kintetsu World Express	***3.77***	***3.28***	***3.20***	*2.68*
Lynden Air Freight	***3.55***	***3.27***	***3.36***	***3.09***
MSAS Cargo Int'l	***3.41***	***3.50***	***3.40***	*2.95*
Northern Air Freight	*3.24*	*3.00*	*3.03*	*2.76*
Panalpina	*3.10*	*2.95*	*3.00*	***3.00***
Pilot Air Freight	***3.45***	***3.21***	***3.31***	***3.31***
Profit Freight Systems	***3.55***	***3.48***	***3.48***	*2.90*
Schenkers	***3.36***	***3.50***	***3.18***	*2.81*
Seko	*2.64*	*2.50*	*2.64*	*2.43*
Skyway Systems	***4.10***	***3.70***	*2.90*	***3.22***
TNT Express	*2.96*	*2.89*	*2.77*	*2.48*

SURFACE EXPRESS CARRIERS

	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.36***	***3.40***	***3.50***	***1.86***
Purolator	***3.60***	***3.46***	*3.32*	*1.87*
Roadway Package System	*3.14*	***3.60***	***3.78***	***3.24***
United Parcel Service	***3.83***	***3.85***	***3.87***	*1.96*
U.S. Postal Service	*2.64*	*2.65*	*2.94*	*1.08*

AIR EXPRESS (SMALL PACKAGE) CARRIERS

	SERVICE	CONV.	PRICE	SALES
AVERAGE	***3.65***	***3.53***	***3.24***	***2.28***
Airborne Express	*3.29*	*3.20*	***3.27***	*2.17*
Burlington Air Express	***3.70***	***3.66***	***3.53***	***3.01***
DHL	***3.73***	*3.34*	*2.98*	*2.62*
Emery Worldwide	*3.49*	***3.57***	*2.81*	*2.46*
Federal Express	***4.44***	***4.21***	*3.16*	*2.75*
Purolator	*3.20*	*3.19*	*3.12*	*1.93*
TNT Skypak	*3.36*	*3.17*	*3.09*	*2.57*
United Parcel Service	***3.86***	***3.77***	***3.77***	*2.04*
U.S. Postal Service	*2.86*	*2.69*	*3.09*	*1.24*

WTC Air Freight was inadvertently left out of our poll this year due to the mistaken belief that it would be absorbed by its new sister company, Burlington Air Express. According to WTC, the air freight forwarder will continue to operate as a separate company. In the 1986 Quest for Quality survey, WTC was voted one of the outstanding transportation companies.

METHODOLOGY

DISTRIBUTION's *Quest For Quality* survey is a rating of transportation companies by the shippers who use them.

The data was gathered from questionnaires for each mode of transportation that were bound into monthly issues of DISTRIBUTION. Each ballot included the name of major carriers of that mode or vendors of a particular service. Each ballot also included space for write-ins. The ballots were bound in as follows:

February—Motor Carriers
March—Water Carriers
April—Rail Carriers, Forwarders and Railcar Lessors
May—Air Freight Carriers, Forwarders, Air Express Companies and Surface Express Companies.

Each ballot was reviewed for genuineness. No photocopies of ballots were accepted, and only ballots on which the respondent identified himself and his company completely were counted. A total of 99 ballots were rejected for non-compliance. Any ballot that appeared to be filled out by a carrier or at the behest of a carrier was checked out. A total of 87 ballots turned out to be carrier-initiated and had to be rejected.

A total of 1,302 ballots qualified completely. Each of these ballots was coded according to state and standard industry code.

DISTRIBUTION asked respondents to rate the carriers and vendors they use in the following performance categories:

- *Service—transit times, routing and equipment.*
- *Convenience—billing, tracing, EDI capability, claims settlement.*
- *Price—rate levels and fairness, contract price levels and terms.*
- *Sales—salesmen's knowledge of their company's capabilities and the customer's needs.*

Shippers rated carriers they used regularly on a scale of 0 (unacceptable) to 5 (outstanding).

The ratings for each carrier appearing in this report were calculated by multiplying the number of votes by their point value. Total points were then divided by the number of shippers evaluating the carrier to find the average. For example, the rating for XYZ Company's service would be calculated as follows:

Range	*Respondents*	*Value*
0	*100*	*0*
1	*33*	*33*
2	*90*	*180*
3	*20*	*60*
4	*230*	*920*
5	*110*	*550*
	580	*1740*

Average: 3.000

Category averages are the sum of all carrier averages received (not just those reported) divided by the number of carriers in the section. This report only includes ratings for carriers that received enough votes to allow statistically measurable results.

Who is Number One?

No effort has been made to rank the carriers. A generalized ranking would be meaningless since each shipper has different priorities in terms of the importance of various performance categories. For example, some shippers may weigh service more heavily than convenience, and so on. Before any shipper can calculate which carrier has the "performance profile" it is looking for, the shipper has to establish a weighting for each performance category.

The simplest way to do this is to assign weighted point values to the four performance categories. For instance, take a total of 10 points and assign the appropriate weighting to service, price, convenience and sales effectiveness, based on the importance of each performance category to you.

If service is the most important, it might receive four points. If price is next most important, that might receive three points. Going down the scale in importance, convenience might get two points and sales effectiveness one point.

This weighting will vary from one shipper to the next. Also, the same shipper might well have different weightings for each transportation mode.

After determining the weightings, multiple them times the reported scores for the various carriers. The carrier with the highest total of points after four categories have been extended is the best carrier for you.

Here's an example. Suppose your weighted scale of carrier performance characteristics is four points for service, three for price, two for convenience and one for sales effectiveness. The extended scores and total points for the XYZ Company would be:

Reported Score	*Weight Factor*	*Extended Score*
XYZ CO.		
3.000	*4*	*12.000*
3.100	*3*	*9.300*
2.800	*2*	*5.600*
2.500	*1*	*2.500*
Total		*29.400*

A Caveat To Readers

In the past, certain carriers have attempted to use the ratings in our *Quest For Quality* survey as a competitive ranking system. We caution readers not to pay any attention to such manipulations of numbers and improper use of our survey. Such use is statistically meaningless. It also corrupts the intent of the survey.

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More shipper comments can be found on p. 112.

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CARRIER FINANCES

TRUCK, RAIL FINANCES: ON THE UP AND UP

It was tough not to make money in the trucking business last year. But success can be 'fleeting.' Consider the events that have unfolded so far in 1987.

By Kurt Hoffman, Contributing Editor

Last year was the year to make money in the trucking industry, says William Legg, trucking analyst with Alex Brown & Son of Baltimore.

"Last year, you had a confluence of events take place in the trucking industry, and virtually all of those events were positive," Legg explains. Fuel prices came down, while rates went up with a couple of major rate increases.

Add to that a couple of major business failures, like Hall's Motor Transit and McLean Trucking, and you get an environment ripe for profitability. "If you couldn't make money last year, then you have a problem," Legg points out.

Yellow Freight, Consolidated Freightways, Carolina Freight and Arkansas Best were among those carriers to rack up impressive performances. The big winners on the LTL side were the companies that successfully and aggressively expanded, taking advantage of the benefits of consolidation as well as the lower starting wage levels for new hires.

But some carriers didn't make money, and about a third of the Interstate Commerce Commission's Top 100 Carriers experienced increases in their operating ratios.

On the truckload side, several carriers closed out the year with operating ratios in the 70s. Low fuel prices were a primary factor.

"Truckload carriers are about twice as sensitive to the price of fuel as are their LTL counterparts," Legg explains. Typical truckload carriers using company equipment "probably were able to shave two or three points off of their operating ratios on the fuel side alone." Business looks good for the truckload carriers. Many publicly held truckload carriers showed revenue increases of more than 20 percent, largely due to conversion of private fleet freight.

But most truckload operators will sacrifice a good chunk of their fuel savings, if not all of it, this year. Fuel prices already are back up, and rates are lower. "Operating margins are now up two or three points, fairly in line with what they were in 1985," says Legg.

As for 1987, fuel will be a critical factor to watch, although prices seem to have stabilized at a level about 15 percent higher than just a few months ago. Other factors to watch for in the truckload segment during 1987 include a possible driver shortage that could drive up labor costs. Also, the ability to expand without having to resort to excessive price-cutting will help determine profitability for some truckload carriers.

LTL freight, however, is somewhat flat. Roadway, CF and Yellow all experienced substantial decreases in operating margins in the first two quarters of 1987.

In today's environment, there is a large, positive benefit to scale, says Legg. "It's the economics of

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KEY PERFORMERS—TRUCKLINES

OPERATING REVENUE

Carrier	$ Million
Yellow Freight System	1,619.2
Roadway Express, Inc.	1,499.2
Consolidated Freightways	1,467.3
North American Van Lines	744.9
P-I-E Nationwide, Inc.	660.0
Overnite Transportation	529.7
ABF Freight System	500.1
Carolina Freight Carriers	474.0
ANR Freight System, Inc.	397.4
United Van Lines, Inc.	394.2
Allied Van Lines, Inc.	376.9
Smith's Transfer Corp.	363.6
Transcon Lines	343.6
Preston Trucking Co.	320.6
Mayflower Transit	312.0

CARRIER FINANCES

KEY PERFORMERS – TRUCKLINES

HIGHEST OPERATING RATIOS

Carrier	Operating Ratio
Overland Express, Inc.	112.0
Mistletoe Express Service	111.8
Red Arrow Freight Lines	104.1
Merchants Fast Motor Lines	103.8
ICC Corp.	103.6
TNT Pilot, Inc.	102.5
CW Transport, Inc.	100.4
Melton Truck Lines, Inc.	100.4
Thurston Motor Lines	100.3
ANR Freight System, Inc.	99.9
Southwestern Motor Transport	99.6
Lyons Transportation Lines	99.5
North Penn Transfer, Inc.	99.3
Hyman Freightways	99.2
Smith's Transfer Corp.	99.2

LOWEST OPERATING RATIOS

Carrier	Operating Ratio
J.B. Hunt	77.1
Estes Express Lines	80.7
New Penn Motor Express	81.8
Overnite Transportation	84.0
A-P-A Transport	86.6
Wilson Trucking Corp.	86.6
NW Transport Service	87.2
Holland Motor Express	87.4
AAA Cooper Transportation	87.9
Burnham Service Co., Inc.	88.0
Southeastern Freight Lines	88.0
SAIA Motor Freight Line	88.4
DSI Transports, Inc.	89.5
Red Star Express Lines	90.3
Roadway Express, Inc.	90.3
St. Johnsbury Trucking	90.3

HOUSEHOLD GOODS CARRIERS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
Aero Mayflower[7]	1986	298.95	9.10	4.75	0.66	97.0	10.62
	1985	291.83	13.19	7.38	0.63	95.9	19.74
Allied Van Lines	1986	376.91	(0.34)	3.66	0.62	100.1	11.32
	1985	370.39	0.84	4.75	0.62	99.8	16.66
American Red Ball[7]	1986	25.64	0.44	0.45	0.05	98.3	33.58
	1985	24.03	0.44	0.48	0.04	98.2	42.05
Paul Arpin Van Lines	1986	28.27	1.40	0.89	0.05	95.0	32.30
	1985	24.11	0.99	0.62	0.04	95.9	26.60
Atlas Van Lines[7]	1986	179.85	12.04	0.33	0.28	93.3	-0-
	1985	162.84	8.69	(1.86)	0.26	94.7	-0-
Bekins Van Lines[7]	1986	197.55	1.98	1.40	0.29	99.0	4.30
	1985	199.74	2.21	1.48	0.32	98.9	4.74
Burnham Service Co.	1986	89.49	10.72	4.84	0.18	88.0	43.30
	1985	88.09	8.81	3.93	0.20	90.0	40.68
Four Winds Van Lines[7]	1986	14.29	(1.84)	(1.35)	0.02	112.9	-0-
	1985	35.52	(0.71)	(0.43)	0.04	102.0	-0-
Global Van Lines[7]	1986	46.21	(0.58)	(3.92)	0.11	101.3	-0-
	1985	66.34	0.26	0.22	0.16	99.6	2.16
Graebel Van Lines	1986	50.16	2.96	1.42	0.06	94.1	38.65
	1985	40.57	3.07	1.44	0.04	92.4	96.46
Interstate Van Lines	1986	15.44	0.61	0.76	0.03	96.0	25.23
	1985	14.68	0.63	1.00	0.02	95.7	41.70
National Van Lines	1986	22.59	0.44	0.47	0.04	98.0	91.47
	1985	18.03	0.12	0.26	0.04	99.3	107.76
North American Van Lines[6]	1986	458.02	16.50	23.49	0.68	96.4	15.09
	1985	422.82	15.41	24.62	0.68	96.4	18.10
United Van Lines[7]	1986	375.70	2.58	2.40	0.69	99.3	8.38
	1985	351.13	2.87	2.14	0.67	99.2	8.63
Wheaton Van Lines	1986	40.66	2.40	1.72	0.06	94.1	11.26
	1985	39.61	2.20	1.66	0.06	94.5	11.78

[1]Net Carrier Operating Income – Difference between carrier operating revenues and carrier operating expenses.
[2]Net Income – After including fixed charges, non-operating income, income taxes, unusual of infrequent items, earnings attributable to discontinued segments, extraordinary items, and cumulative effect of changes in accounting principles, but before extraordinary charges for write-down of operating rights and extraordinary credits for the tax effect of such write-downs.
[3]Revenue Tons Hauled reflect common and contract carrier service.
[4]Operating Ratio – Ratio of operating expenses to operating revenues.
[5]Return on Equity – Ratio of net income to shareholders' equity less tangible property at end of previous calendar year. The symbol -0- indicates a deficit in net income and/or shareholders' equity.
[6]North American Van Lines' revenues increased in the year 1986 compared to the year 1985, due in large part to a change in reporting periods, to four 13-week periods in 1986 from 12 monthly periods in 1985.
[7]Operating revenues, net carrier operating income, and operating ration for Mayflower Transit Co., Inc., American Red Ball Transit, Atlas Van Lines, Inc., Bekins Van Lines Co., Four Winds Van Lines, Inc., Global Van Lines, Inc., and United Van Lines, Inc. as shown above, reflect household goods operations only, but revenue tons hauled, net income, and return on equity represent the results from all their operations, including the transportation of general freight and household goods as well as income from household goods services (packing, crating, storage, etc.).

Source: Interstate Commerce Commission

MAJOR MOTOR CARRIERS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
AAA Cooper Transportation	1986	77.82	9.39	5.07	0.65	87.9	24.57
	1985	71.96	7.74	4.08	0.63	89.2	25.25
ABF Freight System	1986	500.15	29.35	11.50	2.23	94.1	55.12
	1985	418.96	18.57	7.96	1.89	95.6	54.14
A-P-A Transport Corp.	1986	108.72	14.58	6.35	0.50	86.6	26.47
	1985	98.67	17.12	8.44	0.46	82.7	50.93
ANR Freight System	1986	397.44	0.23	(0.44)	2.73	99.9	-0-
	1985	417.76	(14.62)	(9.95)	3.39	103.5	-0-
Advance Transportation	1986	67.86	2.99	1.54	0.60	95.6	41.52
	1985	67.19	1.49	0.31	0.65	97.8	11.05
Aero Mayflower	1986	311.95	8.45	4.75	0.66	97.3	10.62
	1985	302.80	12.45	7.38	0.63	95.9	19.74
Allied Van Lines	1986	376.91	(0.34)	3.66	0.62	100.1	11.32
	1985	370.39	0.84	4.75	0.62	99.8	16.66
Alterman Transport	1986	52.05	0.83	0.22	0.46	98.4	1.34
	1985	51.23	1.12	0.27	0.46	97.8	1.67
American Freight System	1986	300.57	6.71	4.06	1.77	97.8	14.68
	1985	302.22	3.96	2.79	1.72	98.7	6.85
Anderson Trucking	1986	71.03	2.78	1.34	0.96	96.1	12.60
	1985	55.90	2.52	2.04	0.82	95.5	22.99
Atlas Van Lines	1986	179.85	11.86	0.33	0.28	93.4	-0-
	1985	162.99	8.73	(1.86)	0.26	94.6	-0-
Auto Convoy	1986	68.20	1.11	0.09	1.32	98.4	5.34
	1985	64.75	0.15	(0.87)	1.37	99.8	-0-
Bekins Van Lines	1986	197.55	1.98	1.40	0.29	99.0	4.30
	1985	202.30	1.55	1.48	0.32	99.2	4.74
Bowman Transportation	1986	179.78	5.02	1.81	1.89	97.2	3.67
	1985	166.42	0.28	0.73	1.69	99.8	1.40
Brown Transport	1986	189.75	9.99	5.81	2.43	94.7	82.28
	1985	182.15	3.32	(1.25)	2.33	98.2	-0-
Burnham Service Co.	1986	89.49	10.72	4.84	0.18	88.0	43.30
	1985	88.09	8.81	3.93	0.20	90.0	40.68
CW Transport	1986	117.09	(0.49)	0.13	0.95	100.4	0.41
	1985	125.04	0.43	0.34	1.14	99.7	1.11
Carolina Freight	1986	474.03	35.49	17.48	2.77	92.5	25.11
	1985	411.91	30.25	14.99	2.34	92.7	26.23
Carretta Trucking	1986	56.51	3.82	1.64	1.92	93.2	17.70
	1985	53.96	4.27	1.56	1.77	92.1	19.62
Cassens Transport	1986	67.70	3.00	2.02	0.82	95.6	76.71
	1985	65.80	0.30	(0.12)	0.66	99.6	-0-
Central Freight	1986	195.81	8.41	4.59	2.39	95.7	5.61
	1985	193.81	4.80	6.50	2.40	97.5	8.38
Central Transport	1986	244.01	10.64	7.30	4.24	95.6	38.20
	1985	245.12	11.30	5.60	5.30	95.4	30.96
Chemical Leaman	1986	185.30	8.36	3.29	6.14	95.5	10.84
	1985	161.16	4.95	1.76	5.45	96.9	6.08
Churchill Truck Lines	1986	97.53	5.12	3.20	0.57	94.8	20.46
	1985	90.13	3.44	2.13	0.52	96.2	15.41
Commercial Carriers	1986	182.94	13.49	6.87	3.11	92.6	21.99
	1985	176.26	10.12	4.53	2.94	94.3	16.22
Consolidated Freightways	1986	1,467.33	111.22	60.77	5.60	92.4	15.82
	1985	1,329.57	93.74	57.13	4.98	92.9	13.46
Contract Freighters	1986	73.76	6.92	4.40	1.22	90.6	117.88
	1985	65.82	3.72	2.19	1.22	94.3	63.47
Convoy Company	1986	61.93	3.39	1.86	0.68	94.5	15.22
	1985	50.43	3.29	2.03	0.59	93.5	39.54
Jack Cooper Transport	1986	103.18	4.28	2.82	1.51	95.9	13.99
	1985	120.85	9.24	2.38	1.67	92.4	12.03
Crete Carrier Corp.	1986	80.30	3.21	2.55	1.47	96.0	14.86
	1985	83.09	3.52	2.77	1.46	95.8	19.29
DSI Transports	1986	51.22	5.39	2.01	2.62	89.5	15.95
	1985	48.26	4.98	1.37	2.47	89.7	12.24
Daily Express	1986	53.53	2.63	3.66	0.68	95.1	26.58
	1985	54.05	2.83	7.22	0.89	94.8	190.86
Dallas & Mavis	1986	42.35	1.67	0.66	0.53	96.1	6.03
	1985	52.07	1.97	0.98	0.60	96.2	9.80
Deaton	1986	53.15	4.36	3.33	1.62	91.8	18.76
	1985	51.91	4.51	3.58	1.29	91.3	22.30
E & L Transport	1986	93.19	1.85	0.94	1.12	98.0	14.16
	1985	86.28	2.61	1.34	0.92	97.0	30.02
Estes Express	1986	72.66	14.02	8.28	.0.79	80.7	38.13
	1985	64.50	9.81	5.79	0.76	84.8	31.08
FFE Transportation	1986	90.07	1.49	0.66	0.96	98.3	9.31
	1985	86.11	(0.71)	(0.43)	0.93	100.8	-0-
Fleet Transport	1986	55.15	2.13	0.80	6.06	96.1	11.50
	1985	51.72	(0.91)	(1.79)	5.42	101.8	-0-
G. I. Trucking	1986	54.81	0.73	(0.02)	0.30	98.7	-0-
	1985	49.60	0.71	0.14	0.25	98.6	1.12
Global Van Lines	1986	52.74	(0.24)	(3.92)	0.11	100.5	-0-
	1985	72.43	0.45	0.22	0.16	99.4	2.16
Groendyke Transportation	1986	60.13	1.66	0.89	3.47	97.2	6.48
	1985	61.71	1.08	0.45	3.61	98.2	3.36
Holland Motor Express	1986	124.13	15.63	7.29	1.05	87.4	22.50
	1985	106.64	12.43	7.21	0.93	88.3	25.10
Holmes Transportation	1986	61.32	0.60	0.57	0.45	99.0	4.19
	1985	59.35	0.66	0.53	0.48	98.9	4.08
J. B. Hunt Transport	1986	203.79	46.74	24.74	2.74	77.1	58.85
	1985	131.48	26.51	16.31	1.84	79.8	59.47
Hyman Freightways	1986	61.89	0.50	0.16	0.49	99.2	3.87
	1985	60.21	0.84	0.57	0.47	98.6	16.93
ICC Corp.	1986	131.02	(4.70)	(3.92)	1.45	103.6	-0-
	1985	131.34	(2.05)	(1.29)	1.34	101.6	-0-
Jones Motor Co.	1986	83.27	1.53	1.72	1.64	98.2	30.59
	1985	98.35	1.88	2.02	1.92	98.1	56.18
Jones Transfer	1986	70.81	1.25	0.23	1.34	98.2	1.83
	1985	66.67	1.87	0.48	1.42	97.2	4.10
Jones Truck Lines	1986	176.20	13.22	6.21	1.16	92.5	11.37
	1985	166.65	10.13	5.43	1.14	93.9	10.40
Kenosha Auto Transport	1986	55.37	1.39	0.70	0.62	97.5	8.05
	1985	56.52	(0.65)	0.11	0.58	101.1	1.29
Lyons Transportation	1986	60.83	0.30	0.26	0.40	99.5	2.11
	1985	55.75	0.30	0.22	0.39	99.5	1.80
Matlack	1986	203.27	5.51	0.11	8.00	97.3	0.36
	1985	200.24	(3.31)	(5.11)	7.83	101.7	-0-
May Trucking	1986	44.27	1.88	1.66	0.68	95.8	44.35
	1985	43.97	0.17	0.42	0.64	99.6	12.28
Melton Truck Lines	1986	52.53	(0.19)	0.01	1.20	100.4	0.08
	1985	53.27	0.17	0.66	1.25	99.7	5.84

MAJOR MOTOR CARRIERS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	NET INCOME[2] ($ millions)	REVENUE TONS HAULED[3] (millions)	OPERATING RATIO[4] (percent)	RETURN ON EQUITY LESS INTANGIBLE PROPERTY (%)[5]
Mercer Transportation	1986	57.07	2.58	2.52	1.01	95.5	54.58
	1985	60.01	1.92	1.02	1.06	96.8	318.50
Merchants Fast Motor	1986	79.56	(3.02)	(1.63)	0.97	103.8	-0-
	1985	92.69	1.14	0.28	0.97	98.8	2.58
Mid West Coast Transport	1986	69.22	2.46	1.42	0.77	96.4	19.32
	1985	66.89	2.68	1.50	0.74	96.0	24.68
Miller Transporters	1986	63.53	3.75	2.14	3.73	94.1	31.66
	1985	58.45	1.22	0.40	3.75	97.9	6.00
Milne Truck Lines	1986	125.8	3.91	1.06	0.74	96.9	4.88
	1985	99.66	0.72	(0.13)	0.61	99.3	-0-
Mistletoe Express	1986	50.80	(5.98)	(4.97)	0.21	111.8	-0-
	1985	70.03	(2.71)	1.22	0.27	103.9	15.39
Morgan Drive Away, Inc.	1986	55.00	0.54	0.42	0.65	99.0	6.55
	1985	53.005	0.10	0.35	0.65	99.8	5.84
The Motor Convoy, Inc.	1986	119.56	1.84	1.09	4.41	98.5	19.37
	1985	104.39	1.03	0.38	3.85	99.0	8.27
National Carriers	1986	62.03	2.78	1.90	1.00	95.5	9.20
	1985	52.71	2.84	2.14	0.85	94.6	11.41
National Freight	1986	131.65	6.28	3.53	0.74	95.2	18.85
	1985	103.39	1.34	6.93	1.02	98.7	50.16
New Penn Motor Express	1986	84.77	15.41	8.65	0.64	81.8	28.63
	1985	74.65	12.76	7.47	0.60	82.9	22.92
North American Van Lines	1986	744.92	21.92	23.49	3.59	97.1	15.09
	1985	694.35	21.47	24.62	3.16	96.9	18.10
North Penn Transfer	1986	51.67	0.36	0.63	0.43	99.3	8.04
	1985	56.19	(0.62)	(1.17)	0.32	101.1	-0-
Northwest Transport	1986	110.42	14.14	8.02	0.53	87.2	24.47
	1985	95.77	12.94	7.61	0.45	86.5	30.27
Nu-Car Carriers	1986	133.72	7.65	2.14	2.48	94.3	19.48
	1985	116.61	5.77	1.77	2.15	95.1	19.73
Old Dominion Freight Lines	1986	104.52	1.50	(1.49)	0.98	98.6	-0-
	1985	112.79	0.78	(2.69)	1.38	99.3	-0-
Overland Express	1986	99.39	(11.91)	(16.12)	1.89	112.0	-0-
	1985	96.16	2.57	(2.77)	1.52	97.3	-0-
Overnite Transportation	1986	529.74	84.66	43.74	3.73	84.0	20.47
	1985	469.70	71.31	38.91	3.46	84.8	21.49
PIE Nationwide	1986	660.02	6.15	6.17	2.53	99.1	28.87
	1985	673.68	(83.10)	(94.77)	2.68	112.3	-0-
Pacific Motor Trucking	1986	88.80	3.59	3.07	1.00	96.0	-0-
	1985	95.46	0.74	0.49	1.04	99.2	-0-
Pre-Fab Transit	1986	47.30	1.41	0.78	0.87	97.0	13.91
	1985	60.29	0.93	0.45	0.86	98.5	8.63
Preston Trucking	1986	320.63	10.69	5.20	2.30	96.7	5.38
	1985	280.53	4.63	3.50	2.20	98.3	3.61
Red Arrow Freight Lines	1986	52.54	(2.15)	(1.52)	0.65	104.1	-0-
	1985	54.90	(1.77)	(1.09)	0.72	103.2	-0-
Red Star Express	1986	111.56	10.82	8.19	0.60	90.3	23.00
	1985	112.47	12.10	10.71	0.63	89.2	35.23
Refiners Transport	1986	58.29	4.03	1.91	7.14	93.1	14.84
	1985	46.75	1.82	0.43	5.70	96.1	3.45
Roadway Express	1986	1,499.18	145.08	96.61	5.79	90.3	14.67
	1985	1,428.75	128.31	92.30	5.58	91.0	15.22
Saia Motor Freight	1986	55.18	6.42	6.85	0.65	88.4	27.92
	1985	56.99	6.69	7.04	0.62	88.3	39.36
St. Johnsbury Trucking	1986	260.17	25.26	10.49	1.66	90.3	24.84
	1985	227.81	17.15	7.95	1.49	92.5	21.74
Schwerman Trucking	1986	45.90	2.45	1.72	3.29	94.7	65.95
	1985	49.57	1.41	0.20	3.93	97.1	8.48
Willis Shaw Frozen Express	1986	48.49	4.57	2.33	0.51	90.6	28.41
	1985	49.06	4.44	2.47	0.52	90.9	44.02
Smith's Transfer	1986	363.62	2.79	(4.33)	2.01	99.2	-0-
	1985	369.83	(8.16)	(5.54)	2.25	102.2	-0-
Southeastern Freight	1986	88.95	10.66	10.18	0.93	88.0	58.25
	1985	77.09	8.12	7.68	0.85	89.5	55.76
Southwestern Motor Transport	1986	42.39	0.16	0.11	0.40	99.6	0.67
	1985	53.44	4.11	2.53	0.44	92.3	16.55
Stoops Express	1986	66.19	3.31	2.15	0.82	95.0	75.11
	1985	56.99	3.44	0.99	0.64	94.0	3.54
TNT Pilot	1986	181.12	(4.57)	(7.43)	1.16	102.5	-0-
	1985	180.60	(12.40)	(14.29)	1.15	105.9	-0-
Thurston Motor Lines	1986	143.70	(0.37)	(1.38)	1.31	100.3	-0-
	1985	136.57	(1.72)	(2.58)	1.27	101.3	-0-
Transcon Lines	1986	343.55	10.62	2.32	1.82	96.9	5.72
	1985	323.50	9.36	0.64	1.73	97.1	1.60
Transus	1986	96.51	1.65	1.76	0.87	98.3	6.98
	1985	90.24	1.34	3.48	0.75	98.5	13.39
Tri-State Motor Transit	1986	115.74	5.417	4.43	0.89	95.3	23.27
	1985	114.54	(0.44)	(1.21)	0.94	100.4	-0-
United Van Lines	1986	394.23	1.36	2.40	0.69	99.7	8.38
	1985	367.94	3.00	2.14	0.67	99.2	8.63
Viking Freight	1986	170.89	10.47	4.70	0.85	93.9	11.85
	1985	130.32	7.19	3.16	0.67	94.5	8.72
Willig Freight	1986	62.62	4.47	2.84	0.50	92.9	23.93
	1985	54.57	2.73	1.00	0.47	95.0	8.54
Yellow Freight	1986	1,619.18	136.89	74.43	5.97	91.5	23.75
	1985	1,407.09	97.33	56.00	5.09	93.1	20.90

[1]Net Carrier Operating Income – Difference between carrier operating revenues and carrier operating expenses.
[2]Net Income – After including fixed charges, non-operating income, income taxes, unusual of infrequent items, earnings attributable to discontinued segments, extraordinary items, and cumulative effect of changes in accounting principles, but before extraordinary charges for write-down of operating rights and extraordinary credits for the tax effect of such write-downs.
[3]Revenue Tons Hauled reflect common and contract carrier service.
[4]Operating Ratio – Ratio of operating expenses to operating revenues.
[5]Return on Equity – Ratio of net income to shareholders' equity less tangible property at end of previous calendar year. The symbol -0- indicates a deficit in net income and/or shareholders' equity.

Source: Interstate Commerce Commission

CLASS I FREIGHT RAILROADS SELECTED EARNINGS DATA

CARRIER & YEAR		OPERATING REVENUES ($ millions)	NET CARRIER OPERATING INCOME[1] ($ millions)	INCOME BEFORE EXTRAORDINARY ITEMS[2] ($ millions)	NET INCOME[3] (millions)	REVENUE TON-MILES[4] (millions)	RETURN ON NET INVESTMENT (%)[5]
Atchison, Topeka & Santa Fe	1986	1,951.7	(51.9)	(62.7)	(62.7)	67.14	-0-
	1985	2,144.4	119.7	125.8	125.8	69.09	4.38
Boston & Maine	1986	85.2	(6.27)	3.57	3.57	1.65	-0-
	1985	115.7	1.4	4.3	4.3	2.30	2.09
Burlington Northern[6]	1986	3,733.0	63.9	81.1	(254.7)	188.2	1.40
	1985	4,040.5	458.3	488.5	488.5	184.09	10.53
CSX Transportation[5]	1986	4,528.8	342.9	329.3	329.3	132.81	5.55
	1985	4,772.6	(4.62)	(73.8)	(73.8)	134.05	-0-
Chicago & Northwestern	1986	823.6	34.5	36.0	36.0	26.98	3.34
	1985	823.7	4.0	(29.5)	(26.1)	24.28	0.44
Chicago, Milwaukee, & St. Paul Pacific[7]	1986	–	–	–	–	–	–
	1985	49.0	(8.31)	(9.11)	(9.11)	–	-0-
Conrail	1986	3,088.1	279.7	315.7	431.1	74.61	5.37
	1985	3,153.7	309.1	360.9	441.8	74.13	6.23
Delaware & Hudson	1986	80.3	(11.7)	(13.4)	(13.4)	2.63	-0-
	1985	109.6	(3.1)	(3.6)	(3.6)	3.65	-0-
Denver & Rio Grande Western	1986	285.3	17.9	22.7	22.7	11.13	4.43
	1985	325.5	23.5	24.1	24.1	11.64	5.44
Florida East Coast	1986	121.2	11.4	25.4	25.4	3.65	7.06
	1985	117.8	9.3	23.6	23.6	3.23	5.20
Grand Trunk Western	1986	323.0	(26.5)	(16.4)	(16.4)	5.12	-0-
	1985	342.9	5.3	1.4	6.1	4.98	1.59
Illinois Central Gulf	1986	679.5	(189.8)	(171.7)	(171.7)	18.92	-0-
	1985	880.5	33.3	25.7	30.0	25.75	2.04
Kansas City Southern	1986	299.9	0.6	(3.0)	(3.0)	11.37	0.17
	1985	316.7	31.4	23.8	23.8	11.62	9.21
Missouri-Kansas-Texas	1986	232.7	6.3	6.8	24.7	8.10	1.82
	1985	263.1	7.3	(5.7)	(5.7)	8.92	2.21
Norfolk & Western	1986	1,639.9	127.5	290.1	290.1	44.28	6.81
	1985	1,720.9	170.4	281.3	281.3	44.17	9.03
St. Louis Southwestern	1986	360.6	(34.7)	(26.5)	(26.5)	12.47	-0-
	1985	390.1	17.3	21.2	21.2	13.47	3.13
Soo Line[7]	1986	606.3	(28.2)	(35.0)	(35.0)	19.50	-0-
	1985	600.4	13.1	(2.1)	(2.1)	18.34	4.03
Southern Pacific	1986	1,909.0	(292.1)	(254.3)	(254.3)	62.53	-0-
	1985	2,053.9	18.3	117.0	117.0	63.50	0.68
Southern Railway	1986	1,678.3	218.8	217.2	217.2	47.26	8.36
	1985	1,704.3	210.2	207.7	207.7	47.39	9.24
Union Pacific[8]	1986	3,766.9	50.9	4.7	4.7	135.80	1.30
	1985	3,728.9	298.9	258.2	258.2	130.84	8.03

[1]Net Operating Income – Difference between operating revenues and the total of railway operating expenses, railway tax accruals and net equipment and joint facility rents.

[2]Income Before Extraordinary Items – Net income after including fixed charges, nonoperating income, unusual or infrequent items and earnings attributable to discontinued segments but before extraordinary items and cumulative effect of changes in accounting principles.

[3]Net Income – Net income after extraordinary items and cumulative effect of changes in accounting principles.

[4]Return on Net Investment – Ratio of railway operating income to net investment in railway property used in transportation services at end of previous calendar year. The latter includes an allowance for working capital based on the ICC's Rail Form A formula. Accumulated deferred income tax reserves have been subracted from the net investment base in accordance with the modification approved by the Commission in Ex Parte No. 393 (Sub No. 1), "Standards for Railroad Revenue Adequacy," served December 31, 1986. If net investment data as of the end of each quarter were available, returns on investment would be computed using an average of the net investment at the beginning and at the end of the respective twelve-month periods. However, net investment data is generally only available at the end of the calendar year; a substantial portion of this data is derived from annual reports (Form R-1) of Class I line-haul railroads which are required to be filed with the Commission by March 31 of the following year. Thus, the net investment data used for this report which represent the latest available end-of-calendar-year data are not averaged in order to assure that net railway operating income is more closely equated with the railroad assets generating this income. The symbol -0- for return on net investment indicates a deficit net railway operating income.

[5]Data subsequent to January 1, 1986 filed by CSX Transportation reflect the combined results of operations of the consolidated data of Baltimore and Ohio Railroad Company and the Chesapeake and Ohio Railway Company and the consolidated data of Seaboard System Railroad, Inc. Previously, separate financial statements were filed by each of these three railroads. For purposes of comparability, amounts shown above for periods prior to January 1, 1986 represent combined consolidated data for these three

[6]The large difference between Burlington Northern Railroad Company's net income before extraordinary items and net income for the 12 months ending December 31, 1986 is attributable to a $335.8 million charge representing the cumulative effect of a change in accounting principles. This change represents a retroactive adjustment effective January 1, 1986, of property acquisitions of prior periods to reflect a changeover to the unit method of depreciation from the composite method of depreciation. This change in method is subject to Bureau of Accounts' approval.

[7]The Soo Line Railroad Company acquired the railroad operations of the Chicago, Milwaukee, St. Paul and Pacific Railroad (Milwaukee) on February 19, 1985. Data shown above for Soo line for the 12 months ending December 31, 1986 reflect operations over the lines of the Milwaukee. Data shown above for Milwaukee for the 12 months ending December 31, 1985 reflect operations from January 1, 1985 to February 19, 1985.

[8]Data subsequent to January 1, 1986 filed by the Union Pacific Railroad Company reflect the combined results of operations of Union Pacific Railroad Company, Missouri Pacific Railroad Company, and Western Pacific Railroad Company and their subsidiaries. Previously, separate financial statements were filed by each of these three railroads. For purposes of comparability, amounts shown above for periods prior to January 1, 1986 represent combined data for these railroads, as restated by Union Pacific. Union Pacific, in its income statement for the year 1986, recorder $659.7 million of adjustments for severence pay and asset write-downs as an unusual or infrequent expense item. If these adjustments had increased operating expenses, Union Pacific's net railway operating income for the year 1986 would have been $50.9 million, instead of $710.6 million, as reported, according to the railroad's footnote disclosure. In order to provide uniformity and consistency with the reporting by other Class I railroads in 1985 and 1986 of similar costs associated with major restructuring programs, net operating income shown above for Union Pacific for the year 1986 has been adjusted to reflect these expense as operating expenses. The related tax benefits ($303.3 million) attributable to these expenses had already been recorded in the net operating income. Consequently, as shown in footnote 6 above, the net impact on Union Pacific's earnings from this adjustment for the year 1986 is $356.4 million (total costs of $659.7 million less related tax benefits of $303.3 million).

Source: Interstate Commerce Commission

Most truckload operators will sacrifice a good chunk of their fuel savings, if not all of it, this year. Fuel prices already are back up, and rates are lower.

density, and changes in market share will become progressively more important because there is very little growth in that market."

And until there is more consolidation—read *bankruptcies*—the ability to build market share without buying it will be a treasured skill.

For The Numbers, Let's Go To ATA

Here are some specifics from last year's mixed bag of results for the nation's major motor carriers.

While operating ratios generally took a drop, and mileage, tonnage and revenue yields rose for the industry at large, some shakeout survivors still struggled for profitability.

In a study performed by American Trucking Associations' Statistical Analysis Department, the 1986 financial results of 456 carriers—244 general freight carriers, 195 specialized carriers and 17 household goods moving companies—showed that volume for the group increased more than 3.1 percent last year to 308.09 million tons from 298.80 million tons in 1985.

Mileage was up 5.3 percent to 9.3 billion miles. Revenues rose nearly 6 percent to $22.06 billion. Operating income jumped by nearly 50 percent to $1.14 billion from $0.77 billion in 1985.

Profit margins for the ATA study group gained measurably to 2.85 percent, compared to 1985's 1.94 percent margin. Operating ratios for the group dropped to 94.86 from 96.31 in 1985. Still, 34 of the top 100 carriers reporting to the ICC had higher operating ratios in 1986.

On the expense side, operating costs increased 4.3 percent to $20.92 billion from $20.06 billion. While operating supplies and expenses, including fuel, dropped 12.6 percent, insurance expenses rose 27 percent. Depreciation and amortization expenses increased 8.9 percent, and salaries of officers and supervisors and other managers rose 9.5 percent.

General freight carriers as a group saw profit margins rise to 3.21 percent from 2.09 percent on revenue and tonnage gains of 7 percent and 2.9 percent respectively. Operating profits were up by more than 50 percent, and net income climbed 64.5 percent.

Operating ratios for general freight carriers on the average dropped to 94.1 from 95.84.

Despite a four point rise in operating ratio, A-P-A Transport remained in the mid-80s, in the company of Holland Motor Express, AAA Cooper, Wilson Trucking, and Northwest Transport Service. J.B. Hunt came in at 77.1, followed several points later by Estes Express Lines, Inc. at 80.7 and New Penn Motor Express at 81.8.

On the down side were Overland Express (112), Mistletoe Express (111.8), and Interstate Contract Carrier Corp. (103.6).

As an industry, household goods carriers saw a slight rise in operating ratios, from 97.35 to 97.58, due to a 4.2 percent rise in expenses. Revenues were up 4 percent, and tonnage climbed by more than 7 percent. But net income fell 15.1 percent to account for a slimmer profit margin of 1.66 percent compared to 1985's 2.03 percent.

Several name-brand carriers (Allied, Four Winds, Global) had operating ratios of greater than 100 for their household goods transportation operations, but these losses were offset by gains in other operations.

Among the movers, Burnham Van Services reported the lowest operating ratio (88) on operating revenues of $89.5 million.

Some analysts suggest that another bankruptcy of a major-sized firm—and there are some candidates—could put the brakes to an ongoing aggressive LTL discounting war led by giant Roadway. Other critical factors in 1987 for all corners of the trucking industry promise to include rising fuel expenses and soaring liability insurance costs.

Railroads Take Some Tough Steps

Stiff rate competition from truckers along major high-volume corridors, along with tax law changes and labor-related expenses, helped suppress profits on the nation's Class I freight railroads last year.

According to the Association of American Railroads, ordinary income dropped 16 percent last year, while revenue yield per ton-mile sank 6 percent, from $3.05 in 1985 to $2.87 last year.

Several carriers incurred one-time, high-dollar costs by "buying out" thousands of union workers. Analysts estimate that Burlington Northern, Santa Fe Southern Pacific and Union Pacific each wrote off at least $1 billion to reduce its work force. All told, rail labor has declined to roughly 295,000 from more than 500,000 in 1980.

Earnings also were eroded by retroactive provisions of the Tax Reform Act of 1986, which resulted in a loss of investment tax credits the railroads had anticipated.

Larger Class I railroads are selling off unprofitable and nonproductive track to regional and local operations. Many of these newcomers have non-union labor, while others, like Jack Haley's highly successful Chicago, Central & Pacific, have union workers and streamlined work rules.

Either way, the presence of these profitable and productive operations only makes more obvious the need for labor on the large Class Is to face up to the realities of the market while they still have some market share to save.

But rail labor had its leverage strengthened this year when the United States Supreme Court upheld secondary picketing rights for railroad employees. So look for continued efforts to negotiate, rather than force, compromises. ★

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PRIVATE FLEETS DRIVING TO THE BRINK?

Private fleet price tags continue to inch upward. How does your operation compare?

Though the researcher and the methodology have changed, the numbers coming out of the most recent Private Truck Council of America (PTCA) Private Fleet Cost Index leave little doubt that the cost of operating shipper-owned vehicles is continuing its upward trend, albeit moderately.

The Results

The 1986 PTCA Cost Index Survey reveals that:

• Tractor/trailer fleets cost an average of $1.38 per mile to operate. Straight truck and van fleets are substantially more expensive overall. They do, in fact, cost more than tractor/trailer fleets in each of the four areas of expense allocation identified by the survey—administrative, drivers, equipment maintenance, and taxes and licensing. The average cost of a straight truck/van fleet is $2.13 per mile.

• The greatest expense for tractor/trailer fleets is in the area of equipment maintenance. The survey also shows that the average age of private fleet power units increased 25 percent in the past year. Such a big increase cannot be entirely accounted for by assuming a statistical glitch, but would seem to indicate that shippers are trading off the greater initial investment in new equipment for

the greater cost of maintaining their existing equipment. This is borne out in that the expense of maintaining equipment in leased fleets is lower in both union and non-union shops than it is in owned.

At the same time, driver pay is still the most expensive item associated with straight truck/van fleet operations, as it is when the average for all types of fleets are calculated.

• Within the driver cost area, expenses are greatest for union drivers of company-owned straight truck/van fleets. Union drivers for company-owned truck fleets make an average of 15¢ per mile more than non-union drivers. For leased fleets the difference is nearly twice as much.

Index Shortcomings

The PTCA has been gathering statistics on the cost of operating private trucking fleets since 1981. Beginning that year, the management consulting firm of A.T. Kearny was employed to gather and analyze private fleet operating data from the shippers that made up the council. This annual survey provided private fleet operators with some benchmarks which were interesting, but admittedly of limited application.

Shippers who wanted more precise comparisons argued that averages told them little because dissimilar fleets were being lumped together. The biggest limitation, says PTCA Executive Vice President Richard Henderson, was that statistics were not broken out according to the nature of the product being shipped. "It's arguable that the differences between hauling furniture and hauling, for instance, electrical appliances are not that significant. But if one guy is shipping steel and another is moving potato chips, you have two entirely different operations."

Because such extremes as these were averaged together to produce numbers that reflected neither operation realistically, many shippers considered the PTCA's effort wasted.

While Henderson believes that much of the survey is still valid despite the wide variety of shippers that contribute to its averages, he has been aware of the need to expand its usefulness by addressing this objection to the Council's research.

A New Approach

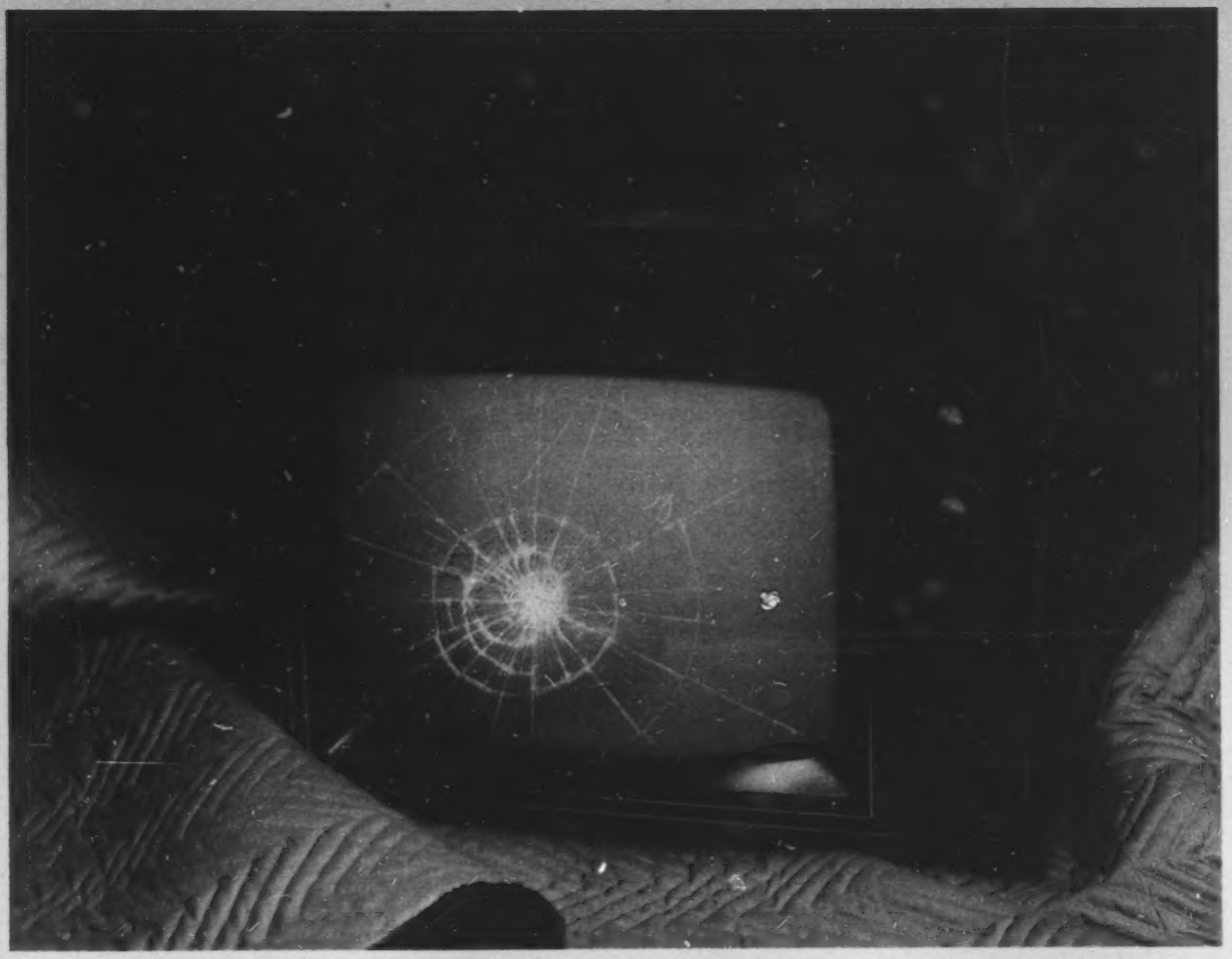
An effort to enhance the value of the survey began with the 1986 project. The Council decided to use Chilton Research Services (CRS) to conduct the survey, on the basis of its ability to reach a greater number of private fleet managers. "I would like to think the PTCA is a representative sample of all private fleets," Henderson says, "but realistically, I can't say that it is." Certainly, active members of major trade associations are often the elite of the industry, but using the Council members for a universe did more than exclude many modest-sized fleets from the cost index. In effect, it blocked out an entire class of operators. "Our previous surveys didn't include very many straight truck fleets at all," Henderson states. "There were so few in fact, that it was impossible to derive any meaningful numbers on straight trucks."

CRS was able to contact nearly 3,000 shippers, with a response rate of about 20 percent. Among the respondents were over 200 straight truck and van fleets. This represents a much broader base of information on which to develop an index. In Henderson's words, the survey is now a "true, scientific sampling of all private carriers. And the numbers are more verifiable than in the past."

But the '86 index did not quite achieve Henderson's ideal of what the survey should be. That will take a few more years, he believes. The intention of PTCA and CRS in '86 was to stratify the overall results by segregating the respondents into one of 12 different types of business: food products, metals, petroleum, etc. In this way, the steel and potato chip haulers would no longer be averaged together.

This goal wasn't achieved, not due to any shortcomings on the part of PTCA or CRS, but simply because of a statistical rule of thumb. After breaking the returns into groups, the number of respondents within each category was not quite sufficient to produce a statistically meaningful average. About 400 more responses would have enabled the breakouts to be calculated.

continued



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"We were so close, I asked Chilton if we couldn't just go ahead and do the breakouts based on the information we had," says Henderson, "but they insisted that in order to remain true to the study's integrity, it couldn't be done." So the critics will have their say for at least one more year, but Henderson has no doubt that the breakouts will be done in the future. Survey results will be shown to fleet managers who didn't respond to the survey this year to demonstrate that it would be worth their while to help achieve the necessary response rate.

The survey itself, Henderson reasons, is not an easy form to complete. It requires the fleet manager to go to other people and departments to get all the information he or she needs, and is likely to discourage some people from taking the time. As the usefulness and reputation of the index grows, Henderson believes, managers will be more willing to contribute and the response rate will grow.

Once the index grows to the point where industry breakouts will be statistically valid, most shippers should be satisfied that it provides at least a starting point for meaningful comparisons. Already, results are segregated into straight truck, tank, dry van, reefer, and flatbed trailer fleets; owned and leased equipment fleets, union and non-union drivers, and by fleet size.

Looking Back

Because of the difference in methodology, it is dangerous to interpret the significance of changes in this year's responses relative to previous years. Particularly because of the participation this year of substantial numbers of straight truck fleets, the average cost per mile, which often is glibly thrown about as the survey's bottom line, is surprisingly high. At a glance it might appear that the avarage cost per mile is up nearly 30 cents from one year ago, to a hard-to-justify $1.63. Nearly all of this increase, though, is due to the high costs associated with operating straight trucks and vans in urban environments where low mileages inflate the cost per mile.

continued

FLEET OPERATING COSTS

	Cost per Mile			
Cost Category	Total	Tractor/ Trailer	Straight Truck/Van	Mixed
General & Admin.	$0.19	$0.11	$0.32	$0.21
Drivers	0.71	0.60	0.94	0.62
Equipment	0.68	0.62	0.79	0.63
Taxes and Licensing	0.06	0.05	0.08	0.06
Total	1.63	1.38	2.13	1.52

Straight truck fleets are substantially more expensive than tractor/trailer fleets in every category. This is primarily a consequence of shorter trips and operations in urban environments. While the figures indicate a general rise in the cost of private fleet operations, the increase is not out of line with the trends of the overall economy. A slight increase was to be expected based on the results of previous years' studies.

PARTICIPATION IN AUTHORITIES AND LEASING OPTIONS

	Total	Tractor/ Trailer	Straight Truck/Van	Mixed
Intercorporate Hauling	24%	56%	4%	20%
Transportation Subsidiary	9	17	4	10
Single-Source Leasing	10	15	5	20
Trip Leasing	10	23	1	0
For-Hire Authority	19	37	6	14

Participation in single-source and trip leasing is still relatively limited, despite the hoopla that accompanied their introduction three years ago. Intercorporate hauling and supplemental for-hire authority are the preferred means of recovering private fleet costs.

FREIGHT COST PERCENTAGES

Mode	Inbound	Mode	Outbound
Private Fleet	46%	Private Fleet	70%
For-Hire Motor Carrier	43	For-Hire Motor Carrier	24
Rail	6	Other	4
Other	5	Rail	2

For-hire carriage still plays a large part in the inbound delivery of raw materials for many shippers operating private fleets.

Definitions of Fleet Operations:

Tractor/Trailer Fleet – The number of tractors is greater than or equal to 80 percent of the fleet's total vehicles.

Straight Truck/Van – The number of straight trucks/vans is greater than or equal to 80 percent of the fleet's total vehicles.

Mixed Fleet – All fleets which do not fit the definition of Tractor/Trailer or Straight Truck/Van fleet.

Owned Equipment – 80 percent or more of the fleet's power units are owned.

Leased Equipment – 80 percent or more of the fleet's power units are leased.

The average cost per mile of operating tractor/trailers is three cents higher than in '85, a largely insignificant difference in light of the change in methodology. It should perhaps be noted, though, that the three-cent-per-mile increase is exactly in step with the trend established throughout the previous four years, when Kearny conducted the study. In each of those years, the average increased by three cents over the previous year.

Looking Ahead

Henderson's impression, based on the PTCA index and a general feel of the industry, is that private fleets have been striving to cut costs by negotiating wage concessions with labor, lay-offs, and various other means of retrenchment. These measures have kept costs from escalating, and that has put fleets in a good light when they come under the scrutiny of management. This is fine for the short-term, but Henderson warns that such band-aid remedies "leave the same old machinery in place." They don't make fleets any more efficient, they just clothe chronic problems in some attractive numbers.

The time is coming, says Henderson, when more private fleets will have to start thinking about investing in newer and better equipment and in improved service. This may well mean higher per-mile costs, but, he says, "it may be worth it to pay more in some cases in return for better service. That's what private carriage is all about."

When all is said and done about the limitations of averages and generalities, some of the most interesting results of the PTCA cost index can be found in the answers to those questions which are legitimate whatever the size of the fleet or the nature of the business. In particular, the statistics dealing with private fleet participation in such activities as trip and single-source leasing, or intercorporate hauling and other revenue-generating authorities, are very revealing.

The number of fleets currently engaged in such operations is small, although Henderson points out that the length of the legal debate surrounding some of the authorities has slowed the rate at which fleets are taking advantage of them.

But while Henderson says the current use of these options is about what he would have expected in 1986, he believes that the number will have to grow in the future if private carriage is to remain a viable alternative to for-hire trucking.

He cites the example of an upstate New York shipper which he says has proven wrong the idea that private fleets cannot operate as efficiently as common carriers. By taking advantage of every available tool, from wage concessions to a variety of supplemental authorities, this fleet, says Henderson, is operating at a level of efficiency which any for-hire carrier would be hard-pressed to match.

Henderson admits this fleet benefitted from good fortune which not all shippers will be able to emulate. But in light of the cost comparisons being made these days between private and common carriage, the survival of some private fleets may depend on it. ★

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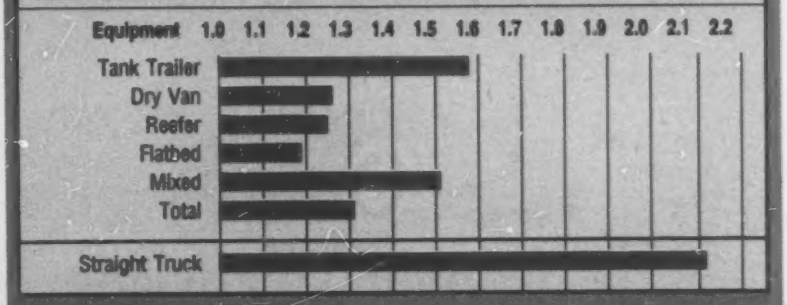
OPERATING STATISTICS

	Total	Tractor/ Trailer	Straight Truck/Van	Mixed
Total Miles Driven (thousands)	1,209,199	671,373	427,191	110,635
Avg. Miles/Trip	551	778	288	480
Total Number of:				
Tractors	10,299	7,174	1,359	1,766
Straight Trucks/Vans	18,905	121	17,772	1,012
Trailer/Tractor Ratio	2.3	2.5	–	1.9
Avg. Tractor Age (years)	5	4	–	6
Avg. Straight Truck Age (years)	7	–	6.5	7
Avg. Tractor MPG	7	–	7	7
Avg. Power Units/ Mechanic	13.3	6.1	17.8	8.4
Union/Non-Union Fleets	215/296	96/162	95/129	24/57
Leased/Owned Equip.	152/336	137/81	11/194	4/61

The numbers show a clear distinction between tractor/trailer and straight truck/van operations. As expected, tractor/trailer fleets log many more miles than the straight trucks, and are not left in service for quite so long. Straight truck fleets employ nearly three times the number of mechanics per vehicle, and exhibit a much greater preference for owning the vehicles they operate.

COSTS PER MILE BY VEHICLE TYPE



A breakdown of costs per mile by vehicle type shows, not surprisingly, that tank trailers are by far the most expensive trailers to operate, and second only to straight trucks overall.